

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

SB 1931 - HB 1517

March 17, 2009

SUMMARY OF BILL: Requires all refiners, suppliers, and permissive suppliers in the state to make all grades of diesel available at the terminal in such condition that it can be blended with ethanol or other biological products to make those grades available to retailers in the state. Requires that gasoline products be made available with sufficient concentrations of detergent additives that, after the addition of ethanol, meets or exceeds the Lowest Additive Concentrations required by the United States Environmental Protection Agency.

ESTIMATED FISCAL IMPACT:

On March 16, 2009, we issued a fiscal note indicating an *increase in state expenditures of not significant*. Based on additional information provided by the Department of Revenue, the fiscal impact of the bill is as follows:

(CORRECTED)

Increase State Revenue - Exceeds \$100,000

Increase State Expenditures – Not Significant

Assumptions:

- According to the Department of Revenue (DOR), in 2008 some major oil company suppliers began to refuse Tennessee businesses the right to blend ethanol, and would sell them only pre-blended ethanol. DOR indicates that this act effectively shifted income and/or profits away from certain Tennessee petroleum wholesalers and to out-of-state suppliers.
- DOR indicates that this bill would require major suppliers to provide unblended gasoline and diesel fuel at the terminal of Tennessee petroleum wholesalers, where such fuels would then be blended in Tennessee. According to DOR, it is likely that the taxable incomes of Tennessee petroleum wholesalers would increase as a result; thus allowing for increased collections of franchise and excise tax.
- Any such increase to state revenue derived from additional franchise and excise tax is dependent upon several unknown factors such as the number of Tennessee entities that will blend fuel as a result of this bill,

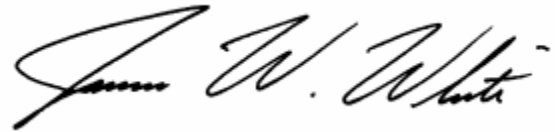
SB 1931 - HB 1517 (CORRECTED)

the taxable incomes of such entities under current law, and the taxable incomes of such entities under the provisions of this bill.

- Given the extent of unknown factors, any such increase to state revenue is difficult to determine. However, the increase to recurring state revenue is reasonably estimated to exceed \$100,000 per year.
- Currently, the Tennessee Department of Agriculture Regulatory Services monitors fuel quality throughout the distribution system, including the blending of ethanol and other biofuels components. Any costs associated with the monitoring of fuel quality can be accommodated within existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

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